Corsair Exploration Inc.

2000 Annual Report

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ANNUAL GENERAL MEETING

The Annual General Meeting will be held at The Calgary Petroleum Club, 319 - 5 Avenue S.W., on May 22, 2001 at 2:30 p.m. in the Cardium Room.

Shareholders are encouraged to attend and those unable to do so should complete the form of proxy and forward it at their earliest convenience.

LEGEND

Maps

☼ Gas Well • Oil Well ○ Potential Location ⌖ D & A

Terms

mcf = thousand cubic feet gas
bbl = barrels
boe = barrels of oil equivalent at (6:1)

CORPORATE HIGHLIGHTS

	2000 (12 mo)	1999 (14 mo)	% Change
Financial			
Gross Income	$4,700,197	$361,488	+1200
Funds from Operations	2,951,708	114,619	+2475
Per Share - basic	0.24	0.01	+2300
fully diluted	0.23	0.01	+2200
Net Income (loss)	1,353,163	(797,680)	+2696
Per Share - basic	0.11	(0.10)	+210
fully diluted	0.10	(0.10)	+200
Outstanding Shares - fully diluted	12,905,819	12,347,986	+5
Working Capital	30,999	4,493,998	-99
Operating			
Daily Average Production (before royalty)			
Crude Oil (barrels)	132	11	+1100
Natural Gas (thousand cubic feet)	1,126	144	+862
Combined (barrels of oil equivalent)	320	35	+683
Proved and Probable Reserves (before royalty)			
Crude Oil and NGL's (barrels)	2,937,700	510,400	+476
Natural Gas (thousand cubic feet)	14,580,400	8,151,000	+79
Pricing ($ Canadian)			
Crude Oil (per barrel)	42.35	31.70	+33
Natural gas (per thousand cubic feet)	6.45	3.37	+91
Combined (per barrel of oil equivalent)	40.24	23.93	+68
Netback (before G & A) (per boe)	26.44	14.02	+89
Operating Expenses (per boe)	4.58	4.67	-2
G & A (per boe)	2.78	20.64	-86

CORPORATE PROFILE - CORSAIR DEMONSTRATES DRILL BIT STRENGTH

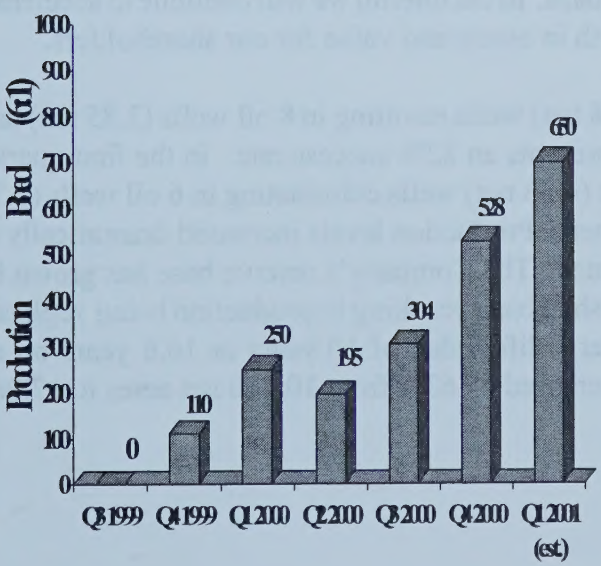
A very successful drilling program during a period of extraordinary commodity prices provided dramatic growth both in production and cash flow in fiscal year 2000.

Taking advantage of the strong land base patiently accumulated in fiscal year 1999, the Company drilled new pool discoveries at Pine Creek, Leech, and most significantly at Willesden Green. This exploratory success paves the way for Corsair to move forward with a less risky drilling program of exploitation and development in the coming year.

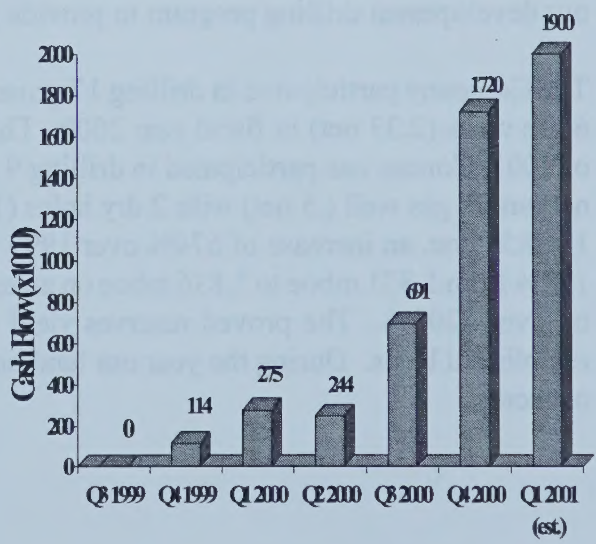
The Willesden Green discovery found a significant accumulation of sweet light crude in the Cardium formation and Corsair has now expanded its land base on the play to 29.5 sections. To date, on the Cardium play, 15 gross wells have been drilled, resulting in 13 oil wells and 2 dry holes. Considerable development is needed to fully delineate this new pool and the long term stable production from this property alone, will fuel rapid growth in the value of Corsair through 2001.

Corsair continues to maintain a strong balance sheet with no debt. Our ongoing program will be funded by 2001 cash flow.

Production By Quarter



Cash Flow By Quarter



A MESSAGE TO OUR SHAREHOLDERS

The momentum developed in 1999, as Corsair took its new strategic direction in oil and gas exploration and production in the Western Canadian Sedimentary Basin, accelerated through fiscal year 2000 led by significant drilling successes on 4 of our 5 core properties.

The corporate objectives stated at the start of the year were as follows:

> Acquire oil and gas assets, or a producing company with particular emphasis on opportunities that were weighted towards exploitation/development drilling.
>
> Generate exploration opportunities in west central and northern Alberta and in northeast British Columbia which allowed the Company to leverage in-house expertise. Preference was given to gas prone, multi-horizon play types.
>
> Emphasize growth in value of our assets.
>
> Maintain a strong balance sheet.

The Company has been successful in the implementation of this strategy with the only exception being in the area of acquisitions. Acquisitions became less attractive as the cost on a per barrel basis escalated, reflecting strengthening commodity prices and this strategy was put on the back burner. As a result, Corsair concentrated on adding reserves with the drill bit where we established a F & D cost on a proved and risked probable basis of $3.63 per boe ($6.05 per boe on proved reserves only). This compares with the acquisition market which saw transactions in the $10.00 to $16.00 per boe range. The Company continues to identify land, production and infrastructure acquisition opportunities which will enhance our existing asset base. In the interim we will continue to accelerate our development drilling program to provide growth in assets and value for our shareholders.

The Company participated in drilling 17 gross (7.68 net) wells resulting in 8 oil wells (3.85 net) and 6 gas wells (2.33 net) in fiscal year 2000. This represents an 82% success rate. In the first quarter of 2001, Corsair has participated in drilling 9 gross (4.33 net) wells culminating in 6 oil wells (2.75 net) and 1 gas well (.5 net) with 2 dry holes (1.25 net). Production levels increased dramatically to 116,855 boe, an increase of 674% over 1999 volumes. The Company's reserve base has grown by 180% from 1,371 mboe to 3,836 mboe on an established basis resulting in production being replaced by over 2200%. The proved reserves yield a reserve life index of 10 years or 16.6 years on an established basis. During the year our land base increased by 63% from 10,470 net acres to 17,060 net acres.

Corsair continues to maintain a strong balance sheet. In July, the Company issued 1,538,462 flow through common shares at $1.30 per share raising $2,000,000 which provided the funds necessary to accelerate our drilling program. Eighty four percent of this offering was acquired by officers, directors and employees.

I am looking forward to fiscal year 2001 with great enthusiasm, expecting continued success and accelerated growth in value for our shareholders. We employ a very talented staff and will continue to recognize opportunity in our core areas and move faster than our larger competitors.

Ray G Smith

Raymond G. Smith
Chairman, President & Chief Executive Officer
April 6, 2001

EXPLORATION

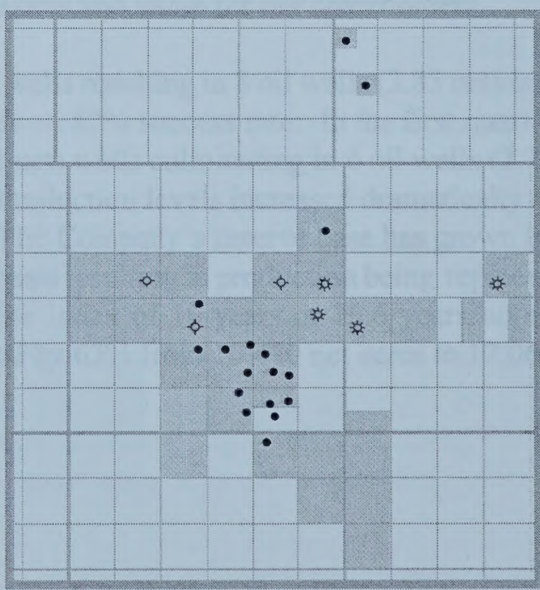
THE BASIN

The key direction applied to exploration and development investment by Corsair Exploration Inc., has been to target superior reservoirs west of the Fifth and Sixth Meridians which offer better than average reserves and production additions. Corsair's growth strategy is focused on light oil and liquid rich gas prospects. Our intent is to stay focused in our core areas and continue to add value through the drill bit. Within this overall strategy, we dedicated 100% of our start up capital to high impact plays, in our five core areas. In fiscal year 2001 we will invest a large portion of our cash flow to development drilling on our significant Willesden Green Cardium discovery.

Corsair has 17,060 net acres of land and 30,472 gross acres with an excellent inventory of development projects; we are well positioned to drill 17 to 22 wells in 2001 and re-enter two to four wells.

Our basic strategy remains in place: keep our success rate high, and assure steady growth. By directing a measured portion of the budget at high impact operated development projects, we provide the opportunity for accelerated growth. Fiscal year 2001 will see a deliberate focus on drilling the high impact development plays in our portfolio. This is a natural evolution made possible by the firm foundation of exploration success achieved in 2000 through our exploration drilling program. We are off to a good start in 2001, looking forward in particular to continued exploration and development on our oil projects at Willesden Green and Enchant, and our gas projects at Leech and Pine Creek where we have already recorded a significant degree of success.

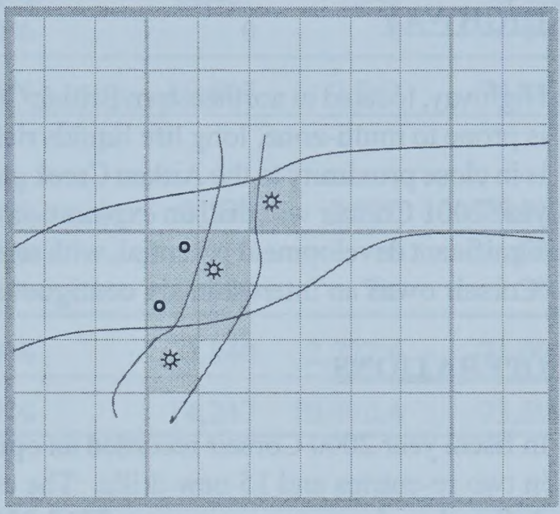
WILLESDEN GREEN



Willesden Green is a multi-zone, long life, light oil and liquid rich gas, moderately deep, area in west central Alberta. The majority of our Willesden Green acreage is operated and has year round access. Corsair is pursuing a series of Mannville age sands with additional potential from the Cardium, Viking, Second White Specks and Belly River formations in this multi-zone area. In fiscal year 2000 Corsair made a significant new pool oil discovery (Corsair 50% WI) in the Cardium formation. At year-end 2000, Corsair participated in 10 Cardium operations with a 90% success rate. Our focus in fiscal year 2001 will be to delineate the Cardium discovery; this core area will see development drilling of up to 15 wells and the possibility of two more re-entries. Corsair is currently engineering the implementation of a water-flood for late 2001. Our exploration and development efforts are underpinned by 24.50 sections of land along trend, with the right to earn 5 more sections

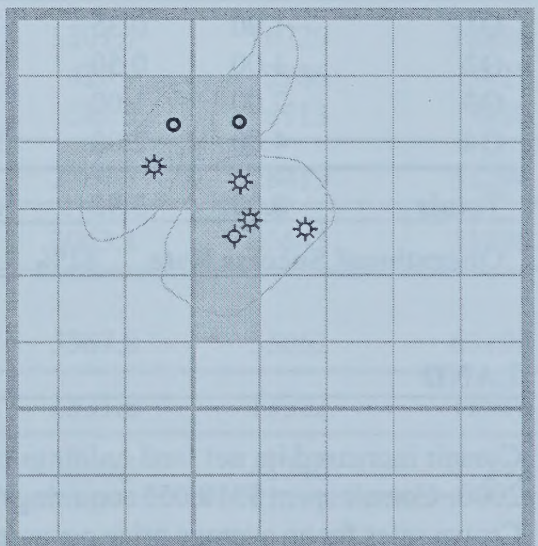
of land. Corsair has an average WI of 50.1% and our acreage is strategically located adjacent to underutilized infrastructure. Corsair's oil product is excellent quality at 41 degree API and the gas product is extremely liquid rich, yielding 80 bbls/mmcf of gas. Drill bit success at Willesden Green in 2001 will position the company for further growth.

PINE CREEK



Pine Creek is a multi-zone, long life liquid rich gas, moderately deep area with abundant underutilized plant capacity. Pine Creek is non-operated, has year round access and is located in west central Alberta. In fiscal year 2000 Corsair entered into a strategic alliance in the Pine Creek area, decreasing our working interest from 70% to 56.5% on an ongoing basis. The decision was made to accelerate the projects in this core area and add new reserves and production while minimizing capital exposure. In fiscal year 2000 Corsair made a new pool wildcat discovery (Corsair 47.5% WI), through a re-entry completion and followed up the discovery with a second development re-entry gas well (Corsair 25% WI). Fiscal year 2001 will see one more re-entry and possibly one new well drilled. The fiscal year 2001 activity will target the development of our producing formations. Corsair has six sections of land on trend. The Pine Creek property offers significant growth potential for Corsair in 2001.

LEECH



Leech is a multi-zone, liquid rich gas, and medium depth area offsetting infrastructure and surplus plant capacity. Leech is both operated and non-operated and is located in west central Alberta with some year round access. In fiscal year 2000 Corsair made a two zone new pool wildcat discovery. Corsair is pursuing four separate formations in the Leech area, all of which have follow up potential on our acreage, with regional implications. Corsair has a 41.5% WI in seven sections of land, and a right to earn six further sections at Leech. In fiscal year 2001 Corsair plans to participate in three wells in the Leech area, operating two of the three wells. Drilling success on the Leech property in 2001 could significantly enhance shareholder value.

ENCHANT

Enchant is non-operated and Corsair has a 35% WI. The area is medium depth, year round access, long life oil production, and is located in southern Alberta. Fiscal year 2000 saw a two-zone discovery well drilled and a one square mile 3-D seismic program shot. Corsair has 1.75 sections of land in the Enchant area. Fiscal year 2001 will see the drilling of potentially two development wells.

HIGHWAY

Highway, located in northeastern British Columbia (Corsair 40% WI), has year round access. The area is prone to multi-zone, long life liquids rich gas, with abundant pipeline infrastructure. Our acreage is in close proximity to the Aitken Creek gas storage facilities and the Alliance pipeline hub. In fiscal year 2001 Corsair will drill an exploration well to evaluate the property. With success, Highway has significant development potential, with regional implications and great exploration upside for Corsair. Corsair owns an interest in six contiguous gas spacing units on the play.

OPERATIONS

In fiscal year 2000 Corsair recorded an operational success rate of 82%. The Company participated in two re-entries and 15 new drills. The average working interest was 45.2%. The average cost to drill and evaluate or re-enter was $219,000 per operation.

Fiscal Year 2000 Drilling Statistics

	Oil		Gas		D & A		
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Total**
Q1	1.00	0.35	1.00	0.50	2.00	1.00	**4.00**
Q2	1.00	0.50	2.00	0.98	0.00	0.00	**3.00**
Q3	2.00	1.00	1.00	0.30	0.00	0.00	**3.00**
Q4	4.00	2.00	2.00	0.55	1.00	0.50	**7.00**
Totals	**8.00**	**3.85**	**6.00**	**2.33**	**3.00**	**1.50**	**17.00**

Operational Success Rate 82%

LAND

Corsair increased its net land holdings by 62.9% between fiscal year end 1999 and fiscal year end 2000. Corsair spent $318,055 acquiring 6,145 gross acres (3,329 net) at Alberta and British Columbia Crown sales for an average price per acre of $95.54. The balance of Corsair's acreage (13,600 gross, 5,644 net) was earned by way of farmin agreements and combined with new agreements entered into during the first quarter of 2001, provides Corsair with the opportunity to earn in a further 7,040 gross acres within its core areas.

LAND

	2000			1999		
	Gross	**Net**	**AVG WI**	Gross	Net	Avg WI
Undeveloped Acres						
Alberta	**19,360**	**9,092**	**48.2%**	10,407	7,743	74.4%
British Columbia	**4,232**	**4,232**	**100%**	0	0	0%
	23,592	**13,324**	**56.5%**	10,407	7,743	74.4%
Developed Acres						
Alberta	**6,880**	**3,736**	**54.3%**	3,520	2,720	77.3%
British Columbia	**0**	**0**	**0%**	0	0	0%
Manitoba	**0**	**0**	**0%**	320	7.4	2.3%
	6,880	**3,736**	**54.3%**	3,840	2,727.4	71.0%
TOTAL	**30,472**	**17,060**	**56.0%**	14,247	10,470.4	73.5%

RESERVES

	Oil & NGL mbbl	Gas mmcf	Combined (mboe 6:1)	NPV 15% ($000)	NPV 10% ($000)
Proven Producing	644.8	3941.3	1301.7	16720	18286
Proven Non-Producing	170.6	1500.4	420.7	2986	3627
Proven Undeveloped	475.2	642.5	582.3	8713	9380
Total Proven	1290.6	6084.2	2304.7	28419	31294
Probable	1647.1	8496.2	3063.1	26643	31896
Total Proved and Probable (unrisked)	2937.7	14580.4	5367.8	55062	63190
Probable at 50% risk	823.6	4248.1	1531.6	13322	15948
Established Risk	2114.2	10332	3836.3	41740	47242

(Reserves adjudicated by McDaniel and Associates and are presented before royalty deductions and 62 % of probable reserves reflect Cardium development and water flood implementation).

TAX POOLS

Tax Pools Available

	Deduction Rate	2000
Canadian Exploration Expense	100%	**3,839,000**
Canadian Development Expense	30%	**922,000**
Canadian Oil and Gas Property Expense	10%	**1,953,000**
Capital Cost Allowance	20-30%	**1,746,000**
Foreign Exploration and Development Expense	10%	**935,000**
		9,395,000

MANAGEMENT'S DISCUSSION AND ANALYSIS

OIL AND GAS PRODUCTION

The Company participated in 17 gross (7.68 net) resulting in eight oil wells (3.85 net) and six gas wells (2.33 net) in fiscal year 2000. Production levels increased to 116,855 boe compared to 15,107 boe production in 1999. Our production averaged 132 bpd of oil and ngl's with 1,126 mcfd of gas yielding 320 boed. The Company exited 2000 with 350 bpd of oil and ngl's and 1,700 mcfd for a total of 630 boed.

REVENUES AND INCOME

As a result of significant increases in production coupled with strong production pricing, revenues increased by 1200% to $4,700,197 in 2000 up from $361,488 in 1999. Income for the year 2000 were $1,353,163 ($0.11/share) compared to a net loss of $797,680 ($0.10/share) in the previous year.

AVERAGE PRICES

The average price received per boe increased dramatically in 2000 to $40.24 up from $23.93 received in 1999, reflecting an increase of 68%. The Company expects commodity prices to remain at current levels through 2001.

OPERATING EXPENSES

Operating expenses increased 659% in 2001 to $535,765 up from $70,600 in 1999. This increase is consistent with our increase in production. On a boe basis, operating expenses decreased to $4.58/boe in 2000 from $4.67/boe in 1999.

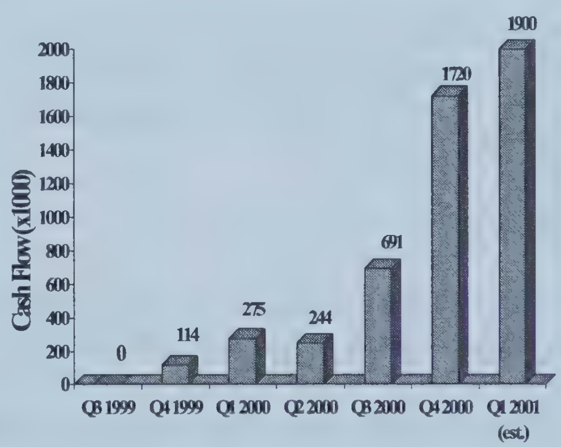
DEPLETION AND DEPRECIATION

Depletion expenses increased in 2000 to $6.57/boe from $4.54/boe in 1999. This increase is attributed to higher costs experienced in the our drilling activities and the lower reserve additions associated with oil wells as compared to gas wells. The reserve adjudicators have placed substantial value and reserves on the Willesden Green Cardium oil pool discovery in the probable category until water flood is implemented. With partner and Energy and Utilities Board approvals, the Company hopes to implement water flood by the end of the fiscal year 2001. This will result in 62% of our probable reserves shifting to the proven category.

The Company's management believes that the net salvage values from wells, plants, and facilities exceeds the future costs that would be incurred. Accordingly, no provision for future removal and site restoration costs have been recorded in the year.

CASH FLOW

Cash flow from operations increased by 2475% from $114,619 in 1999 to $2,951,708 in 2000. As production levels increased throughout the year, the Company's quarterly cash flow correspondingly grew. General and Administrative expenses totaled $312,160 in 2000 compared to $311,805 in 1999. During 2000 the Company capitalized General and Administrative expenditures directly related to acquisitions, exploration and development activities of $251,279 compared to $64,908 in 1999. With an increasing production base and fundamental strength in commodity prices, cash flow is expected to increase steadily in 2001.



FUTURE INCOME TAXES

Effective January 1, 2000, the Company adopted the liability method of accounting for income taxes as recommended by the Canadian Institute of Chartered Accountants ("CICA"). Under the liability method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability recorded using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

This method made full provision for income taxes deferred as a result of timing differences between income per the financial statements and taxable income. The Company has adopted the CICA recommendations on a retroactive basis without restatement of prior periods by recording an increase to retained earnings of $450,000, and a decrease in future income taxes of $450,000 at January 1, 2000.

During the year the Company recognized a provision for future income taxes of $843,000. The Company's future income tax liability is $1,285,000.

CAPITAL ADDITIONS

The Company incurred capital expenditures during the year of $9,364,000 compared to $3,743,577 in 1999. This increased capital program is a direct result of our successful, active drilling program carried out in fiscal year 2000.

FINANCIAL RESOURCES AND LIQUIDITY

In order to finance exploratory and development drilling activities, the Company issued flow-through shares for gross proceeds of $2,000,000. The Company has a revolving production credit facility for $3,000,000. The Company's expeditious use of its resources has resulted in no draw down of the credit facility.

RESERVES

During 2000, the Company increases its established reserves to 3,836 mboe, a 180% increase from the 1,371 mboe posted on December 30, 1999. The Company's product mix for established reserves at December 31, 2000 was 45% gas and 55% oil and ngl's. The proved reserves yield a reserve life index of 10 years or 16.6 years on an established basis.

Reconciliation of Changes in Reserves

	Oil and NGL's (mbbls)			Natural Gas (mmcf)		
	Proven	**Probable**	**Total**	**Proven**	**Probable**	**Total**
Balance January 1, 2000	278.4	232.0	510.4	3571.0	4580.0	8151.0
Discoveries, extensions, revisions	1060.5	1415.1	2475.6	2924.4	3916.2	6840.6
Production	(48.3)	0	(48.3)	(411.2)	0	(411.2)
Balance January 1,2001	1290.6	1647.1	2937.7	6084.2	8496.2	14580.4

RESERVE ADDITION COSTS

The Company established a Finding and Developing costs on a proved and risked probable basis of $3.63 per boe ($6.05 per boe on proved reserves only).

	2000
Net capital expenditures ($000's)	**9,364**
Net reserve additions	
Proven (mboe)	**1,548**
Probable (mboe)	**2,068**
Established (mboe)	**2,582**
Reserve addition costs on established reserves	
Proven ($/boe)	**6.05**
Established ($/boe)	**3.63**

NET ASSET VALUE

	McDaniel Pricing NPV at 15% BIT	McDaniel Pricing NPV at 10% BIT
Established reserve value (P+1/2 P)	$41,740,050	$47,241,450
Income from exercise of option	$1,292,000	$1,292,000
Land value (13324 acres at $87/acre)	$1,159,188	$1,159,188
Bank debt	$0	$0
Enterprise Value	**$44,191,238**	**$49,692,638**
Outstanding shares	12,966,448	12,966,448
Options	1,182,000	1,182,000
Fully diluted	14,148,448	14,148,448
Asset value/fully diluted share	**$3.12**	**$3.51**

PRICING ASSUMPTIONS

	Crude Oil		Natural Gas	
Year	**WTI at Cushing, Oklahoma ($US/bbl)**	**Edmonton Gate ($Cdn/bbl)**	**Direct Spot ($Cdn/mcf)**	**AEC Hub ($Cdn/mcf)**
2001	25.00	36.90	6.90	6.68
2002	23.00	32.80	5.20	5.08
2003	22.40	31.00	4.60	4.52
2004	22.30	29.90	4.05	3.99
2005	22.70	30.00	3.90	3.83
2006	23.20	30.70	3.95	3.91

ENVIRONMENTAL AND SAFETY POLICY

Corsair is implementing safety and environmental policies that are designed to successfully deal with the extensive regulations for the oil and gas industry. Our entire organization is committed to minimizing the effects of our activities on the environment and protecting our employees.

The Company has comprehensive insurance to cover risks of well blowouts and pollution. These are just a few of the controls and procedures that Corsair considers in its ongoing challenge to fulfill our commitment.

BUSINESS RISKS

The oil and gas industry is subject to uncertainties and risks including commodity prices, product market demand, exploration success, transportation interruptions, foreign exchange and interest rates, government regulation and taxes and environmental and safety concerns. Corsair strives to minimize these risks by proper management of these factors. We employ a highly qualified staff of professionals, maintain a strong and flexible financial position, maintain proactive environmental and safety operating procedures and focus on low cost reserve additions and cash flow optimization to sustain our growth. Extensive geological, geophysical, engineering, environmental and financial analysis are performed on new drilling prospects and potential acquisitions.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Corsair Exploration Inc. were prepared by management in accordance with accounting principals generally accepted in Canada. Financial information presented throughout the Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity of the financial statements. Systems of internal control are designed and maintained by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial purposes. In preparation of financial statements, estimates are sometimes necessary when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Based on careful judgements, such estimates have been properly reflected in the accompanying consolidated financial statements.

The external auditors conduct an independent examination of the financial statements in accordance with generally accepted auditing standards in order to express their opinion on the financial statements. Their examination includes a review and evaluation of the company's system of internal controls and such tests and procedures as considered necessary to provide reasonable assurance that the financial statements are presented fairly and are free of material misstatement.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through its Audit Committee. This committee meets with management and the external auditors to satisfy itself that management responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval.

Ray G Smith

Raymond G. Smith
Chairman, President & Chief Executive Officer
April 6, 2001

AUDITORS' REPORT

To the Shareholders of
Corsair Exploration Inc.

We have audited the consolidated balance sheet of Corsair Exploration Inc. as at December 31, 2000 and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

The financial statements as at December 31, 1999 and for the fourteen months then ended were audited by another auditor who expressed an opinion without reservation on those statements in his report dated March 6, 2000.

Ernst & Young LLP

Calgary, Canada
March 27, 2001

Chartered Accountants

Corsair Exploration Inc.

CONSOLIDATED BALANCE SHEET

As at December 31	2000 $	1999 $
ASSETS		
Current		
Cash and cash equivalent	**2,287,830**	6,183,651
Accounts receivable	**3,491,065**	572,374
Income tax recoverable	**-**	9,573
Marketable securities	**6,681**	15,179
	5,785,576	6,780,777
Property and equipment *[note 3]*	**12,293,635**	3,703,038
Deposits	**-**	50,066
	18,079,211	10,533,881
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**5,754,577**	2,286,779
Provision for future removal and site restoration	**-**	13,356
Future income taxes *[note 6]*	**1,285,000**	-
Shareholders' equity		
Share capital *[note 4]*	**9,236,471**	10,440,189
Retained earnings (deficit)	**1,803,163**	(2,206,443)
	11,039,634	8,233,746
	18,079,211	10,533,881

See accompanying notes

Approved by the Board:

Ray G Smith

Director

Director

Corsair Exploration Inc.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended December 31, 2000 $	Fourteen months ended December 31, 1999 $
Revenue		
Oil and gas sales	**4,700,197**	361,488
Royalties, net of ARTC	**(1,075,079)**	(79,050)
Interest and other income	**182,614**	246,276
	3,807,732	528,714
Expenses		
Oil and gas production	**535,765**	70,600
General and administrative	**312,160**	311,805
Depletion, depreciation and site restoration	**763,644**	77,735
	1,611,569	460,140
Income before following items	**2,196,163**	68,574
Discontinued operations *[note 8]*	**-**	(866,254)
Income (loss) before income taxes	**2,196,163**	(797,680)
Future income taxes *[note 6]*	**843,000**	-
Net income (loss) for the period	**1,353,163**	(797,680)
Deficit, beginning of the period	**(2,206,443)**	(1,097,363)
Dividends	**-**	(311,400)
Elimination of deficit through reduction of share capital *[note 4]*	**2,206,443**	-
Change in accounting policy *[note 2]*	**450,000**	-
Retained Earnings (deficit), end of period	**1,803,163**	(2,206,443)
Earnings (loss) per share	**0.11**	(0.10)
Fully diluted earnings (loss) per share	**0.10**	(0.10)

Corsair Exploration Inc.

CONSOLIDATED STATEMENT OF CASH FLOW

	Year ended December 31, 2000 $	Fourteen months ended December 31, 1999 $
OPERATING ACTIVITIES		
Net income (loss) for the period	**1,353,163**	(797,680)
Add items not affecting cash:		
Discontinued operations *[note 8]*	**-**	834,564
Depletion, depreciation and site restoration	**763,644**	77,735
Future income taxes	**843,000**	-
Gain on sale of marketable securities	**(8,099)**	-
Cash flow from operations	**2,951,708**	114,619
Net (decrease) increase in non-cash working capital balances	**(33,980)**	1,749,631
Cash provided by operating activities	**2,917,728**	1,864,250
FINANCING ACTIVITIES		
Issuance of share capital net of share issue costs	**1,894,725**	3,892,300
Dividends paid	**-**	(311,400)
Cash provided by financing activities	**1,894,725**	3,580,900
INVESTING ACTIVITIES		
Acquisition of property and equipment	**(8,724,871)**	(3,774,022)
Proceeds on disposal of mineral properties	**-**	220,825
Proceeds from the sale of market securities	**16,597**	-
Cash used in investing activities	**(8,708,274)**	(3,553,197)
Net cash (used) provided	**(3,895,821)**	1,891,953
Cash and cash equivalent, beginning of the period	**6,183,651**	4,291,698
Cash and cash equivalent, end of the period	**2,287,830**	6,183,651
Cash flow from operations per share:		
Basic	**0.24**	0.01
Fully diluted	**0.23**	0.01

See accompanying notes

Corsair Exploration Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Corsair Exploration Inc. and its wholly-owner subsidiary, Moray Services Limited. The financial statements also include the accounts of Corsair Minerals Inc. and Corsair Equatorial Inc. until the date of their disposition on July 8, 1999.

The consolidated financial statements of the Company have been prepared in accordance with accounting principals generally accepted in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements involves the use of estimates and approximations which have been made using careful judgement. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Property and equipment

Petroleum and natural gas properties

The Company follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs related to the acquisition of, exploration for and development of petroleum and natural gas properties and related reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenditures, costs of drilling both productive and non-productive wells, tangible production equipment and that portion of general and administrative expenditures directly related to acquisition, exploration and development activities. Proceeds from the disposal of properties are applied as a reduction of the cost of the remaining assets, except when such a disposal would change the depletion and depreciation rates by more than 20%, in which case a gain or loss on disposal would be recorded.

Capitalized costs, including tangible production equipment, are depleted and depreciated using the unit-of-production method based on estimated proven reserves of petroleum and natural gas before royalties as determined by an independent reserve engineer, converting natural gas to an oil equivalent basis using six thousand cubic feet of natural gas for one barrel of petroleum.

The Company applies a ceiling test to capitalized costs on an annual basis to ensure that such costs do not exceed the estimated undiscounted future net revenues from production of gross proven reserves, using prices and costs in effect at year end, plus the cost of undeveloped properties net of impairment, less amounts associated with future general and administrative costs, financing costs and income tax expense.

Office furniture and equipment

Office furniture and equipment is recorded at cost and is depreciated on a declining balance basis at 30% per annum.

Future removal and site restoration costs

Estimated future costs of site restoration, including the removal of production facilities at the end of their useful lives, are provided for on a unit of production basis. The estimate is based on current costs, existing legislation and industry practice. The annual provision is included in depletion, depreciation and site restoration expense. Actual expenditures incurred are applied against the accumulated liability.

Measurement uncertainty

The amounts recorded for depletion and depreciation of property and equipment and the provision for future removal and site restoration costs are based on estimates. The ceiling test calculation is based on estimates of proven reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be material.

Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes adopted by the Company effective January 1, 2000, the future income taxes related to the temporary differences arising at the later of the renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

Joint activities

Substantially all of the Company's exploration and production activities are conducted jointly with others and, accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

Stock options

Under the stock option plan described in note 4, no compensation expense is recognized when stock options are issued to employees. Any consideration paid on exercise of stock options is credited to share capital.

Financial instruments

The fair values of financial instruments, comprising cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their carrying values.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at rates of exchange prevailing on the transaction date. Gains and losses on translation are reflected in income as recoveries.

Per share information

Per share information is calculated on the basis of the weighted average number of common shares outstanding during the year. Fully diluted earnings per share is calculated on the basis of the weighted average number of shares that would have been outstanding had all share options been converted to common shares.

Cash and cash equivalents

Cash equivalents include short-term investments with maturities of less than 90 days.

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2000, the Company adopted the liability method of accounting for income taxes as recommended by the Canadian Institute of Chartered Accountants ("CICA"). Under the liability method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability recorded using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to January 1, 2000, the Company followed the deferral method of tax allocation accounting under which the provision for income taxes was based on the earnings reported in the accounts.

This method made full provision for income taxes deferred as a result of timing differences between income per the financial statements and taxable income. The Company has adopted the CICA recommendations on a retroactive basis without restatement of prior periods by recording an increase to retained earnings of $450,000, and a decrease in future income taxes of $450,000.

3. PROPERTY AND EQUIPMENT

	2000		
	Cost $	**Accumulated Depletion and Depreciation** $	**Net Book Value** $
Petroleum and natural gas properties and related equipment	**13,107,668**	**837,101**	**12,270,567**
Office furniture, equipment and other	**38,403**	**15,335**	**23,068**
	13,146,071	**852,436**	**12,293,635**

	1999		
	Cost $	**Accumulated Depletion and Depreciation** $	**Net Book Value** $
Petroleum and natural gas properties and related equipment	3,743,577	68,680	3,674,897
Office furniture, equipment and other	34,896	6,755	28,141
	3,778,473	75,435	3,703,038

During 2000, Corsair capitalized general and administrative expenditures directly related to acquisition, exploration and development activities of $251,279 (1999 - $64,908).

At December 31, 2000, unproved properties with a cost of $393,830 (1999 - $361,744) have been excluded from the costs subject to depletion and depreciation.

The Company's management believes that the net salvage values from wells, plants and facilities exceeds the future site restoration and abandonment costs that would be incurred. Accordingly, no provision for future removal and site restoration costs have been recorded.

4. SHARE CAPITAL

Authorized

Unlimited number of voting common shares without par value
Unlimited number of non-voting first preferred shares without par value
Unlimited number of non-voting second preferred shares without par value

Common shares issued and outstanding

	2000		1999	
	Shares	**$**	**Shares**	**$**
Balance, December 31, 1999	**11,427,986**	**10,440,189**	6,227,986	6,547,889
Issued for cash pursuant to private placement	-	-	5,000,000	3,750,000
Issued for cash pursuant to the exercise of a warrant	-	-	200,000	150,000
Share issue costs	-	(5,275)	-	(7,700)
Elimination of deficit through:				
Reduction of share capital (i)	-	(2,206,443)	-	-
Flow-through shares (ii)	1,538,462	2,000,000	-	-
Tax benefits renounced (ii)	-	(892,000)	-	-
Share purchase loans *[note7b]*	-	(100,000)	-	-
Balance, December 31, 2000	**12,966,448**	**9,236,471**	11,427,986	10,440,189

i) On May 10, 2000, the shareholders of the Company approved the elimination of the deficit of $2,206,443 at December 31, 1999 by offsetting it against the share capital.

ii) In accordance with the terms of the Company's various flow-through share offerings, and pursuant to certain provisions of the Income Tax Act (Canada), the Company committed to renounce, for income tax purposes, exploration and development expenditures to the purchasers of its flow through shares. During 2000, Corsair renounced $2,000,000 of expenditures. To recognize the foregoing tax benefits to the Company relating to the renounced expenditures, the carrying value of share capital has been reduced by $892,000.

Stock options

The Company has established a stock option plan whereby the Company may grant options to its directors, officers and employees for up to 1,296,645 common shares. The exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is five years. The stock options vest over three years. The following is a continuity of stock options outstanding for which shares have been reserved.

	2000		1999	
	Options (000's)	Weighted-Average Exercise Price $	Options (000's)	Weighted-Average Exercise Price $
Opening	**920,000**	**0.97**	630,000	1.56
Granted	**262,000**	**1.51**	920,000	0.97
Cancelled	**-**	**-**	(630,000)	(1.56)
End of year	**1,182,000**	**1.09**	920,000	0.97

The following summarizes information about stock options outstanding at December 31, 2000:

Range of Exercise Prices $	Number Outstanding At 12/31/00	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price $
0.70	25,000	4.3	0.70
0.75	550,000	3.5	0.75
1.30	365,000	3.7	1.30
1.60	237,000	4.8	1.60
1.65	5,000	3.8	1.65
	1,182,000		

5. BANK LINES OF CREDIT

The Company has a $3,000,000 revolving production demand credit facility bearing interest at the lender's prime rate. The facility is collateralized by a $15,000,000 floating charge debenture covering certain assets.

At December 31, 2000, the amount drawn under this facility was $nil (December 31, 1999 - $nil).

6. FUTURE INCOME TAXES

The Company has an effective tax rate which differs from the expected Canadian income tax rate. The differences are as follows:

	2000 $	1999 $
Computed expected provision	**979,928**	(358,956)
Statutory tax rate	**44.62%**	44.80%
Increase (decrease) resulting from:		
Non-deductible crown royalties, net of Alberta royalty credits	**283,789**	18,708
Non-tax based depletion and depreciation	**-**	34,980
Share issue costs deducted for tax purposes	**-**	(16,507)
Other	**(59,019)**	50,469
Excess tax deductions applied to loss carryforward	**-**	70,610
Resources deduction for tax purposes	**(361,698)**	(174,857)
Non-deductible writedown of mineral properties	**-**	375,553
Provision for future income taxes	**843,000**	-

At December 31, 2000, the Company has exploration and development costs and undepreciated capital costs available for deduction against future taxable income of approximately $9,395,000 (1999 - $4,774,000).

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of the Company's future income tax assets and liabilities are as follows:

	2000 $
Net book value of capital assets in excess of tax pools	**(1,293,000)**
Share issue costs	**4,300**
Rate reduction from resources allowance	**(2,500)**
Royalty income	**6,200**
Future tax liability	**(1,285,000)**

7. RELATED PARTIES

a) During the year ended December 31, 2000, a law firm in which a director of the Company is a principal, charged the Company $5,000 (1999 - $25,200) in legal fees.

b) During the year, the Company loaned $100,000 to a director and two officers of the Company for the purpose of acquiring common shares in the Company. The loans are interest free and the principal is repayable in full on August 14, 2001.

   Collateral for the loans consists of the common shares purchased. The Company has no recourse against the parties to the loans if the Company's share price subsequently declines. For purposes of these financial statements the shares purchased with the proceeds of the notes will not be considered to be outstanding and reflected in share capital until the notes are repaid and accordingly the aggregated amount outstanding on these notes has been recorded as a reduction in share capital (see note 4).

8. DISCONTINUED OPERATIONS

The Company disposed of Corsair Minerals Inc. and Corsair Equatorial Inc., which were wholly-owned subsidiaries on July 8, 1999. The revenue of the discontinued operations was $32,077 relating to interest income until date of disposition. No income taxes were incurred in the disposition and there are no remaining assets or liabilities remaining in the Company's accounts with respect to the discontinued operations. The loss from discontinued operations includes an $834,564 writedown of mineral properties that were abandoned.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

CORPORATE INFORMATION

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BOARD OF DIRECTORS

Raymond G. Smith, P.Eng.
Chairman, President and Chief Executive Officer
Corsair Exploration Inc.

Hank B. Swartout, P.Eng.
Chairman and Chief Executive Officer
Precision Drilling Corporation

Darold H. Parken, BA (Econ) LLB
Corporate Counsel
Parken & Company

OFFICERS

Raymond G. Smith, P.Eng
Chairman, President and Chief Executive Officer

Philip E. Collins, P.Geol
Vice President, Exploration

J.E. (Ted) Lefebvre, P.Land
Vice President, Land and Contracts

Jan M. Campbell
Corporate Secretary

STOCK EXCHANGE LISTING

The Canadian Venture Exchange
Trading Symbol: "CXI"

CORSAIR EXPLORATION INC.

April 18, 2001 CDNX: CXI

NEWS RELEASE

CORSAIR ANNOUNCES YEAR END DECEMBER 31, 2000 FINANCIALS AND ACTIVITY

Financial Summary	Year Ended December 31, 2000	14 Months Ended December 31, 1999
Gross Oil & Gas Income	4,700,197	361,488
Net Income (loss)	1,353,163	(797,680)
Per share - Basic	0.11	(0.10)
- Fully diluted	0.10	(0.10)
Cash flow from operations	2,951,708	114,619
Per share - Basic	0.24	0.01
- Fully Diluted	0.23	0.01
Outstanding shares - fully diluted	14,148,448	12,347,981
Production		
Daily Oil & NGL Prod (bopd)	132	11
Daily gas prod (mcfd)	1,126	144
Daily combined (boepd)	320	35
Pricing ($Canadian)		
Average oil & ngl price ($/bbl)	$42.35	$31.70
Natural gas ($mcf)	$6.45	$3.37
Combined (boe)	$40.24	$23.93

Corsair Exploration Inc. ("Corsair") announces a record year for 2000 buoyed by strong commodity pricing coupled with a very successful drilling program. Daily production averaged 132 bpd of oil and ngl's with 1,126 mcfd of gas. The Company exited the year producing 350 bpd oil and ngl's and 1,700 mcfd of gas for total production of 630 boed.

The Company participated in 17 gross (7.68 net) wells resulting in 8 gross oil wells (3.85 net) and 6 gross gas wells (2.33 net) in fiscal year 2000. During the first quarter of 2001 the Company participated in 9 gross (4.33 net) wells culminating in 6 oil wells (2.75 net) and one gas well (.5 net).

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The Company's reserve base has grown by 180% from 1,371 mboe at December 31, 1999 to 3,836 mboe at December 31, 2000 on an established basis. Our reserves are categorized as follows.

	Oil & NGL mbbl	Gas mmcf	Combined (mboe 6:1)
Proven	1290.6	6084.2	2304.7
Probable	1647.1	8496.2	3063.1
Total Proved and Probable (unrisked)	2937.7	14580.4	5367.8
Probable at 50% risk	823.6	4248.1	1531.6
Established Risk	2114.2	10332	3836.3

Finding and Developing costs of $3.63 per boe on an established basis and $6.05 per boe on a proved basis were established with a capital budget of $9,368,000. The Company funded its capital program with cash reserves, cash flow and a $2,000,000 flow-through share issue ($1.30/share) in July 2000. Corsair carried no debt or cash flow deficiency at year end.

As a result of significant increases in production coupled with strong production pricing, gross oil and gas revenues increased by 1200% to $4,700,197 in 2000 up from $361,488 in 1999. Net income for the year 2000 was $1,353,163 ($0.11/share) compared to a net loss of $797,680 ($0.10/share) in the previous year.

Operating expenses increased 659% in 2000 to $535,765 up from $70,600 in 1999. This increase is consistent with our increase in production. On a boe basis, operating expenses decreased to $4.58/boe in 2000 from $4.67/boe in 1999.

Cash flow from operations increased by 2475% to $2,951,708 in 2000 up from $114,619 in 1999. With an increasing production base and fundamental strength in commodity prices, cash flow is expected to increase steadily in 2001.

General and Administrative expenses totaled $312,160 in 2000 compared to $311,805 in 1999. During 2000 the Company capitalized General and Administrative expenditures directly related to acquisitions, exploration and development activities of $251,279 compared to $64,908 in 1999.

In addition to the 9 gross wells drilled in the first quarter of 2001, the Company plans to continue to accelerate its development drilling on the prolific Cardium Oil discovery in the Willesden Green area of West Central Alberta with 12 to 15 wells following spring breakup. A central battery and gathering system has been constructed which facilitates gas conservation for the new pool wells. In addition, Corsair and its partners are working toward implementation of water flood and down spacing for the Cardium pool project.

Additional development drilling will also occur in the second and third quarter at our Enchant oil play and our Leech gas play. The Company also plans to drill an exploratory well on its six contiguous section lease holding in the Highway/Beg area in North Eastern British Columbia.

The Annual Report, Proxy and Information Circular were mailed April 18, 2001. Additional copies can be obtained by contacting Sherry Woodsworth at 237-5813 or swoodsworth@corsair-cxi.com. The Company's Annual General Meeting will be held at The Calgary Petroleum Club, 319 - 5 Avenue S.W., on May 22, 2001 at 2:30 p.m. in the Cardium Room.

For further information please contact Ray G. Smith, President and CEO at 237-5813 or rsmith@corsair-cxi.com.

The Canadian Venture Exchange has neither approved nor disapproved the information contained herein.